

Message Text

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ACTION ARA-10

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 2422

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EO 11652: NA

TAGS: EFIN, CO

SUBJ: COLOMBIANIZATION OF BANKS

1. THE BANK COLOMBIANIZATION BILL PASSED THE SENATE ON DECEMBER 9 AND THE HOUSE DECEMBER 15 AND WILL NOW GO TO THE PRESIDENT FOR SIGNING. THE BILL CONTAINS MOST OF THE FEATURES OF THE ADMINISTRATION'S PROPOSAL PLUS A FEW ADDITIONS.

2. NO NEW DIRECT FOREIGN INVESTMENT WILL BE PERMITTED IN BANKS, CAPITALIZATION FUNDS OR INSURANCE COMPANIES AND OTHER FINANCIAL INTERMEDIARIES EXCEPT FROM ANDEAN PACT COUNTRIES WHO OFFER RECIPROCAL TREATMENT TO COLOMBIA. FOREIGN BANKS WITH BRANCHES IN COLOMBIA HAVE UNTIL DECEMBER 31, 1976, TO DECIDE WHETHER THEY WILL LEAVE OR FORM COLOMBIAN CORPORATIONS SELLING 51 PERCENT OF THEIR SHARES TO COLOMBIAN NATIONALS. ON DECEMBER 31, 1976, ANY BANK DECIDING TO LEAVE MUST CEASE CONDUCTING NEW BUSINESS, BUT THE BILL LEAVES THE LIQUIDATION OPEN-ENDED TO PERMIT A SMOOTH DEPARTURE. BANKS WHICH COLOMBIZNIZE WILL TURN OVE 51 PERCENT OF THEIR SHARES IN TRUST TO THE BANK OF THE REPUBLIC. THE SHARES CANNOT BE SOLD TO BANKS OR FINANCIAL INSTITUTIONS, THEIR SUBSIDIARIES OR AFFILIATES ALTHOUGH IF NECESSARY TO CARRY OUT THE SMOOTH TRANSFER, EQUITY MAY BE SOLD TO OTHER FINANCIAL GROUPS UP TO MAXIMUM OF VIDE
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PERCENT EACH. ANOTHER NEW ARTICLE DIRECTS THE GOVERNMENT

TO DECREE WHATEVER MEASURES ARE NECESSARY TO PROTECT
BANK WORKERS FROM LOSSES CAUSED IN THE COLOMBIANIZATION

PROCESS. INSURANCE COMPANIES APPEAR TO BE EXCLUDED FROM THE
COLOMBIANIZATION PROCESS ALTHOUGH MOST OF THEM ARE MOVING
IN THIS DIRECTION ANYWAY.

3. IN JULY OF 1975 THE ADMINISTRATION SOUGHT VOLUNTARY
COLOMBIANIZATION THROUGH A GENTLEMEN'S AGREEMENT WITH
THE FOREIGN BANKS, AND ALL THE FOREIGN BANKS WITH
BRANCHES EXCEPT FNCB AGREED TO THE FORMULA SUGGESTED.
FNCB'S REFUSAL TO VOLUNTARILY COLOMBANIZE LED THE
ADMINISTRATION TO PROPOSE LEGISLATION SOMEWHAT MORE
RESTRICTIVE THAN THE ORIGINAL GENTLEMEN'S AGREEMENT.
THE BILL RAN INTO SOME OPPOSITION AND TURMOIL BECAUSE
MIN FINANCE BOTERO'S APPROACH IRRITATED THE LEGISLATORS.
SEVERAL SUBSTITUTE BILLS WERE CIRCULATED BUT THE ADMINISTRATION
FINALLY MANAGED TO FOCUS ATENTION ON A COMPROMISE BILL THAT
CONTAINED ALL THE FEATURES IT SOUGHT PLUS A FEW IT DID
NOT FIND OBJECTIONABLE. THIS BILL PASSED WITH LITTLE
DIFFICULTY, ALTHOUGH THE CONSERVATIVE MEMBERS OF THE
JOINT COMMITTEE EXPRESSED RESERVATIONS ABOUT THE CONSTITUTIONALITY
OF THE PRIVISION WHICH REQUIRES CONVERSION OF EXISTING
BRANCHES INTO COLOMBIAN BANKS.
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